

World Bank Housing Sector Mission: Albania

OVERVIEW

Albania was the last Eastern European country to abandon a centrally planned system for one more reliant on markets.¹ As part of the transition, the Albanian Ministry of Construction (MOC) is restructuring in order to facilitate rather than dictate housing provision. This process will involve resolving many long-standing distortions and misallocations in the economy. Like other former Eastern European communist countries, Albania is facing many problems: falling aggregate demand; a weak financial sector; extreme inflation; and economic dislocation. In this context, the housing sector is not only essential for meeting the demand for better shelter, but also plays an important role in the economy as a whole.

At the request of the Government of Albania (GOA) a joint World Bank - USAID housing mission visited Tirana from November 9 to November 20, 1992. The Mission's purpose was to pre-appraise the feasibility of a program of capital investment tied to an International Development Association (IDA) loan of 10 million USD.² In addition, the Mission was to assess technical assistance needs in the housing sector. The joint Mission was led by Gian Carlo Guarda (World Bank) and comprised of Bank representatives: Robert Buckley, Michael Heller, and Antonio Milia. USAID was represented by Sonia Hammam (RHUDO/Warsaw), Maris Mikelsons (Urban Institute) and Ira Lowry (consultant to the Urban Institute).

The Mission viewed the introduction of an act regulating the privatization of the existing state housing stock as a crucial step towards facilitating market-based housing in Albania. In this regard, Ira Lowry, with the assistance of the Mission's team, drafted a privatization law and submitted the draft law to the Minister of Construction, Mr. Ilir Manushi for his review. Before departing Tirana, the Mission was informed that the law would be sent to current session of the Albanian parliament for debate (see Annex C). Further, the MOC requested technical assistance in formulating a condominium law and guidelines for restructuring the current draft restitution law. A follow-up mission was fielded by USAID consisting of team members Ira Lowry and Carol Rabenhors (consultant to the Urban Institute) [Annexes E-H document the activities and results of the follow-up mission].

The purpose of this paper is to provide a preliminary assessment of the housing sector in Albania. In so doing, the first section of the paper outlines the political and economic history of

¹ A coalition government was formed in June 1991 to begin to implement actions necessary for a market based economy.

² See Annex A for the Mission Memoire describing the capital investment program in more detail and Annex B for a list of persons consulted over the course of the Mission.

Albania, concentrating on the current economic situation. The second section, describes Albanian social and demographic factors. The third section provides an overview of the housing sector in Albania by describing the housing sector's institutional framework, characteristics, demand and tenure, construction industry, and the structure of the Albanian banking system. In addition, the last section provides an outline of technical assistance proposed by the Mission for Albania's housing sector.

1. POLITICAL AND ECONOMIC HISTORY

Present day Albania was under Turkish rule for over 400 years until it declared its independence in November, 1912. During the First World War, Albania was occupied by Italy but reestablished its independence in 1920. Ahmet Zogu became the first elected president of the Republic of Albania in 1925. In 1939, Italy formally incorporated Albania as territory until the end of the Second World War. Upon the German withdrawal from the Balkans in 1945, the communist-led National Liberation Front (supported by the Yugoslavian communists) assumed control of the Albania government. Enver Hoxha, the head of the communist party became the self-appointed titular ruler of Albania. Within a short period of time, Albania joined the Council of Mutual Economic Assistance (CMEA) as full member of newly formed European socialist states, all of which became dependent upon the USSR for foreign aid.

After the Second World War, the USSR provided Albania not only material but also technical assistance. Through 1961, the Soviets financially supported up to 40 percent of Albania's domestic investment. At the time, this level of foreign aid invigorated the faltering domestic economy, which had suffered decades of neglect under Turkish rule. In the early 1960s a ideological rift developed between the USSR and China; Albania broke relations with the USSR and turned to China for material and technical assistance. After the break with the Soviets, China continued to be Albania's major foreign aid donor in not only material goods but in foreign exchange as well. Nonetheless, Albania structured its economic system after an orthodox Stalinist model; a system which was extremely centralized even when compared to the former Soviet Union or China.

Starting in 1978, Albania discontinued its relations with China, again for ideological reasons, and became the world's first communist autarky by constitutionally banning all forms of foreign financial aid. Through 1985, Albania sustained itself by relying on external reserves, although the economy suffered badly from the loss of foreign capital support. This loss led to a rapid depletion of much of its capital stock and, more importantly, it deprived the country of the technological exchange needed to rejuvenate its obsolete industries. The self-imposed isolation, coupled with the misallocation of resources by an extremely rigid economic system, contributed to the degradation of a country already considered Europe's poorest.³

Within the last two years, Albania has slowly shed the tenets of the old command system and

³ Albania's per-capita income in 1990 was 670 USD. The IMF estimates that in 1991 the per-capita income will fall to 500 to 550 USD.

turned to market principles as the dominant model for its economy. Within the government, power shifted from the former socialist parties (led by the Labor Party) to the new, reform-oriented parties (led by the Democratic Party). In June of 1991, a five-party coalition government was formed and immediately initiated a series of economic reforms intended to stimulate the economy.

At least in the short run, the institutional changes damaged the economy, which began an accelerated contraction in 1990. As Table 1.1 shows the Net Material Product (NMP is Gross Domestic Product less services) fell by 5 percentage points in 1990 while industrial output contracted by 6 percent over the previous year. The agricultural sector which employs over 49 percent of the labor force, also contracted in 1990, dropping by 3 percentage points. Investment, which traditionally was a large share of government outlays, fell by 5 percentage points in 1990.

Indicator: 1989 1990 1991 1992(e) 1993(f)

Percentage Change:

Indicator	1989	1990	1991	1992(e)	1993(f)
Net Material Product	2.0	-5.0	-45.0	-20.0	-5.0
Industrial Output	5.2	-6.0	-50.0	-15.0	-5.0
Agricultural Output	9.0	-3.0	-35.0	-20.0	-5.0
Investment	10.0	-5.0	-35.0	-20.0	-5.0
Exports (mil USD)	309	258	100	150	200
Imports (mil USD)	535	423	200	350	400

Source: IMF and EIU, 1992 (e) = estimate, (f) = forecast

As the country switched from a planned system to one more reliant on markets new institutions were created and old ones discarded. The transition period was marked by economic dislocation while new policies were formulated. Starting in 1991, the Albanian government embarked upon a program of economic recovery by putting into place radical economic reform measures. The more important steps taken by the government included the following:

- institution of private markets in many sectors;
- liberalization of prices;
- rationalization of state wages, and;
- liberalization of the exchange rate.

These initial measures, combined with massive foreign aid assistance (credits and foreign exchange loans) helped to stabilize the economy. In fact, economists predict positive growth rates for the Albanian economy in 1993. As Table 1.1 shows, the Economist Intelligence Unit (EIU) forecasts a positive (5 percent) growth rate for the Albanian economy in 1993.

Nonetheless, high inflation rates have eroded the purchasing power of most Albanians. Due to price liberalization, the freeing of the exchange rate, and government deficit spending, prices have risen faster than wages. The results of rapidly rising prices depressed an already impoverished nation to even a poorer level going into 1993. Table 1.2 shows the Consumer Price Index (CPI) for Albania in December 1990 and in July, September, and October of 1992. Between December 1990 and December 1991, prices rose by 104 percent (IMF, 1991), and continued to rise. In January 1992 prices had risen by a factor of 2.4 from their 1990 levels. The pace of inflation accelerated through 1992 and by October the CPI was 6.6 times higher than it was in December 1990.

2. DEMOGRAPHIC AND SOCIAL FACTORS

Table 1.2

CONSUMER PRICE INDEX FOR DECEMBER 1990 THROUGH OCTOBER 1992

ALBANIA

Geography and Population. Albania is one of the smallest countries in Europe, spanning only 11,100 square miles (28,748 square kilometers or size of the state of Maryland) with a population estimated in 1989 at 3.26 million persons (111 persons per square kilometer). It is located in the Balkan peninsula, bordering on the Adriatic sea. To the south, Albania's neighbor is Greece, while Macedonia, Kosovo, and Montenegro border on the east and north. Albania's coastal climate is Mediterranean, becoming temperate inland. Mountains cover 72 percent of the country, but between the mountains and the sea are broad, fertile valleys, well watered by mountain streams. Ethnic Greeks, who live in the southern Districts, are the predominant minority group. Islam is the most widespread of all religions, with a recently estimated participation rate of over 70 percent of the population; Greek Orthodox accounts for 20 percent and Roman Catholic makeup the remainder.

Source: One interesting feature of Albania is the development of its human settlement patterns (see map). Partially driven by the predominance of the agriculture sector and a mountainous terrain, Albania has the lowest level of urbanization in Europe, with just 35.7 percent of the total population living in urban areas (Albanian Census, 1989). The country is divided according to administratively set boundaries for villages, cities, and districts. Villages define the basic rural administrative units, while 62 urban centers are accorded city status. The cities, in turn, are sub-divided into smaller units labeled quarters or zones. The largest administrative units, and probably the most influential following the central government, are the 26 districts or *rrethi*.⁴

Another important demographic feature of Albania is its relatively high population growth rate by European standards. At its peak, the population growth rate over the 1955 to 1960 period reached 3.2 percent, accounting for 1.6 million Albanians. Today the growth rate has slowed to around 2.2 percent which is still high when compared to other European countries. Western Europe's growth rates are near zero. The population of Tirana, the capital, has expanded the most rapidly of all the Albanian cities mainly due to the high birth rates as opposed to in-migration. As of the latest census in 1989, Tirana's estimated population stood at 238,057 inhabitants, easily Albania's largest city (second largest is Durres with only 82,719 persons in 1989). Since the new regime opened the

⁴ A new local government law was recently passed which devolves many former central government functions to the local units, though it does not empower local government with taxation rights.

borders of Albania, it is believed that about 10 percent of the population has emigrated, mostly to Italy and Greece.⁵

3. HOUSING

Institutional Framework. In the past, the government was responsible for the provision of housing to the urban population. The right to shelter was guaranteed by the State. Accordingly, about 200,000 public units were built over the past 40 years. In line with rigid centralized system of the past, the Ministry of Construction (MOC) planned, allocated, and built housing for the majority of Albanians.

Within the Ministry, the National Planning Institute was responsible for the conception and implementation of urban development. Housing was allocated annually according to five-year plans. The Institute prepared model plans for each district, which were then distributed to the regional offices for implementation. The goal of the plan was to maximize the number of dwellings for a given budget. In addition, the Institute was responsible for the master plan for all large cities in Albania.⁶

Following the development of the plan, large government construction enterprises located in each district were given the authority to execute the plan's projected housing need. In this manner the government allocated housing according to norms established at the Ministry that applied equally to all households. The construction process was subsidized by the central government through a budgetary mechanism designed to distribute housing according to targets.

Today, the MOC is formulating a more decentralized approach to housing provision -- one less reliant on top-down master plans. The MOC is striving to devolve its past function as the provider of housing by promoting a privatization scheme to sell-off a large share of the housing and transfer maintenance responsibility to individuals or their respective condominium associations. Recently, the Ministry created a nascent institution called the National Housing Fund (NHF) to facilitate privatization, complete construction of the unfinished residential units, and grant credit to households with funds from a World Bank development loan.⁷ It is anticipated that the NHF will provide the institutional bridge to bring about a market-based system of housing provision in Albania.

Housing Characteristics. Of all the housing stock in Eastern Europe, Albanian housing is structurally the worst and in need of the greatest amount of maintenance. From the construction process to the provision of housing infrastructure, such as water and electricity, Albanian standards

⁵ According to the U.S. Census, the cities with the highest Albanian emigre population are Detroit and Boston.

⁶ An interesting feature of the Albanian urban landscape are buildings which never exceed 6 stories. This phenomena is attributed to the urban planners' attempt to reconcile a perceived shortage of urban land with the fact that Albania is located in a seismic zone.

For description of the current structure of the National Housing Fund see Annex D.

are low. Furthermore, Albanian housing affords the least amount of space per person than any other housing in Europe, including the Russian Federation. When housing indicators are compared across Eastern European countries, Albania ranks lowest in the provision of quality housing.

Table 3.1 shows the distribution of housing units according to water source and access to sewage disposal by urban/rural status. Though the figure for the percent of urban public housing with piped water might seem high at 86 percent (as compared to 95 percent for Bulgaria), it is offset by the figure for private rural housing, which shows just 54 percent of houses with piped water.⁸ Of all the public housing units in Albania, only 64 percent have piped water for indoor use. Another service indicator of housing quality is the provision of sewage facilities. According to the 1989 Census, only 65 percent of urban housing units had access to a water closet, while a full 75 percent of private rural households had to exit their house in order to access a water closet. Of all the housing units in Albania, only 31 percent have a way of disposing sewage inside the unit.

<p>Another indicator of housing quality in former communist countries is age of the unit, since minimal maintenance was afforded to the housing stock; the older the housing, the lower the quality. Table 3.2 shows the distribution of the age of the housing units by urban and rural status. Urban housing in Albania is old in comparison to other Eastern European countries. For example in Bulgaria, only 10 percent of the housing was built before 1945 contrasted to 14 percent in Albania. Compared to the urban areas, rural housing is relatively new, which is not surprising given that the greater share of rural housing is privately held (90 percent).</p>					
<p>Housing in Albania does not adequately accommodate the population. The most acute problem Albanians face is overcrowding. Table 3.3 shows the distribution of total space (square meters) by urban and rural status. Approximately 60 percent of the housing units are between 15 and 45 square meters in size (average of 36 square meters), indicative of rather small housing units. Only 3 percent of the urban housing units are over 60 m² in size. The size of units do not vary greatly by location even in rural areas, where units sizes traditionally are larger, only 16 percent of the housing is over 60 m².</p>					
<p>When these figures are related to the number of family members or household individuals that occupy the unit, they become even more pronounced. The 1989 Albanian census reports that, on average, only 17.6 square meters of floor space are available per person. This figure is low when compared to an average figure of 59.9 square meters per person for residential units in Washington, D.C. And when compared to other former Eastern European countries, Albania ranks the lowest in floor area per person. For example, the average square meters per person in Czechoslovakia is 30.9, in Hungary 31.9, in Poland 21.1, and in Latvia 17.6 (Telgarsky, 1991, World Bank, 1991). Needless to say, there are virtually no vacant housing units in Albania.</p>					

⁸ Another factor to consider is the inability of cities to provide water during certain periods of the day. This deprivation of water varies according to season and can be acute in some localities, including Tirana.

Another way to measure overcrowding is to look at number of households with more than one generation living in the unit. Based on the 1989 Census for Albania, over 16 percent of the housing units have more than three generations living under the same roof. In the rural areas, these figures increase to 21 percent, reflecting a high average household size figure of 5.3 persons. In urban areas, the average household size is 3.9 persons.⁹

Housing Demand and Tenure. Given the high population growth rate and the poor quality of its housing stock, there exists an excessive level of unsatisfied demand for housing in Albania. Housing supply has not been able to keep up with rapid increases in the number of households. Since the level of overcrowding in Albania is more severe than any other country in Europe, demand for housing increases commensurately with household growth. In addition, since residency permits are no longer required in urban areas, rural-to-urban migration is expected to further add to the shortage of housing in urban areas.

Source: Albanian Census, 1989
In the past, public housing has been allocated by municipal committees. Selection of a unit for an individual or family was based on three criteria: 1) those deprived of an apartment (including those that have been expropriated by the state), 2) those living in unhealthy places, and 3) those who are entitled to a larger apartment due to the size of their family (more than 90 percent of the request for alternative public housing belong to this group).

Individuals and families in urban Albania have had very little choice in housing tenure. Private ownership of housing in urban areas was permitted, though extremely difficult to realize. Alternatively, in rural areas, most housing was privately built and owned. The 1989 Census reports that only 29.9 percent of the dwellings in urban areas are privately held as opposed to rural areas, where over 90 percent of the housing is privately owned. Underlying these figures is the fact that over 40 percent of the private urban buildings were built before 1945; part of the private stock of housing was never nationalized during the communist regime. Since 1980, only 11 percent of the total urban private housing stock was built. Just the opposite pattern emerges for the rural areas, where only 9.6 percent of the housing was built before 1945 and over 25 percent was built since 1980.

Home ownership was strictly limited in urban areas, with only 15,000 private units built between 1945 and 1991. Laws governing home ownership in Albania have shifted over time due to a growing perception of a land shortage in urban areas. From 1955 to 1966, individuals and families were permitted to construct single family (fully detached) homes in urban areas. However, since 1966, construction of private housing in urban areas virtually ceased due to the imposition of stringent construction codes and regulations, which dictated that all privately built urban dwellings be multi-unit and comply with strict zoning ordinances. In this manner, ownership in urban areas was limited while the rural areas of Albania were free from building constraints and thus experienced high

⁹ Albanians label those individuals who live in overcrowded conditions, or otherwise do not meet the housing norms set by the state, as "homeless". It is interesting to note that the Minister of Construction currently falls into this category.

homeownership rates.¹⁰ Similar to other former communist countries, all land in Albania remained under state control.

Public Housing. Tenants of public housing in Albania have been subject to rent control ever since 1945 and only recently had their first rent increase. Rent is calculated according to the (subsidized) value of the construction cost of the building, plus insurance costs and are adjusted by coefficients which relate to amenities and location. The base rent is administratively set according to three types of housing units, grouped according to amount of floor space and building type.¹¹ Within each group, the rent level is also adjusted by coefficients according to amenities such as type of sewage disposal, presence of tiles in the bathroom, type of floor material, etc. The rent is further adjusted corresponding to three location areas or zones (these were based on the proximity to the center) within the city. All public housing units are also charged a fixed stair cleaning fee of 5 leks per month. In addition, each unit is charged an insurance fee, which is set at 1/1000 of the value of the original construction costs of the building. For the past 45 years, the base rent varied from 0.297 leks per square meter to 0.36 leks per square meter. In August of 1992, base rents were doubled, though the adjustment coefficients remained the same. To date, there is no private rental market in Albania, thus prices for private units are not available.

Rent payment in Albania does not include utilities. Utility payments, including those for electricity, water, and telephone, currently comprise about 45 percent of the total housing costs. Total housing cost as percentage of household income constitutes a small share of the household budget. It is estimated that only about 1.5 to 3.0 percent of total household income is devoted to costs associated with housing.

Maintenance of public housing is the responsibility of the local housing enterprise or *banese* that also collects the payments.¹² Rent is used to cover the cost of maintaining the unit. In reality, repair costs always exceeded rent collections and, thus preventive maintenance and major capital repair is either never performed or delayed.¹³ In fact, major capital repairs, such as a roof repair, are directly subsidized through the central government's budget, though they are performed only when

¹⁰ Construction of additions to urban dwellings, however, was not strictly limited. Indeed, the state savings bank, from 1966 to 1990, offered favorable terms to finance building additions to existing housing in urban areas.

¹¹ The first group consisted of villas, or the best quality units belonging to the nomenklatura (they represented about 10 percent of the urban housing), the second group consisted of multi-unit flats and made-up about 89 percent of the housing, while the third group consisted of the poorest quality units.

¹² Tenants sign one year leases, which define maintenance responsibilities as well as the rent level. They are renewed every year since there was little or no residential mobility. With the recent doubling of the base rent, it is estimated that 10 percent of households living in state owned housing are delinquent in their rent payment.

¹³ It is estimated that maintenance enterprises, which are located in each district or major city, kept 25 percent of the rent payment for salaries while the rest went for maintenance costs. Commonly, maintenance enterprises responded to repair needs located in common areas of a multi-unit building, leaving the tenants responsible for repair and maintenance of all items within the unit.

absolutely necessary.

Housing Construction.¹⁴ Housing in Albania was constructed using four different resources. These included: private, cooperative, voluntary, and state investment. As in all former socialist economies, cooperative housing was built collectively among workers of a state enterprise. In this manner, once the building was completed the workers collectively "owned" the building in which they resided. Voluntary housing was built using labor from enterprises that allowed time-off from the usual labor to build state approved housing. Under this system, the voluntary laborer had a right, though not an obligation, to rent a unit in the building he constructed. The majority of urban housing was built using state owned building enterprises and was allocated by the state administered housing agencies (municipal councils) located in each urban center. Except for the construction of a few, mainly rural, private and some voluntary labor units, construction of housing in Albania ceased in 1990.¹⁵

Construction methods in Albania were based on fixed models, conceptualized by the central government at the National Institute for Planning and Architecture. This institute was responsible for the design of government housing projects over the past 45 years. The design attempted to minimize construction costs while providing an adequate housing unit for each Albanian household.

Through 1977, urban housing design was standardized every ten years. From 1950 to 1960 the predominant design called for two bedrooms, a small kitchen (8-10 m²) and an area for a bathroom. A living room was not incorporated into the design. In the 60s, the kitchen was enlarged to 12 m² and then in the 70s a living room was introduced into the design. In 1977, a normative element was formulated for the allocation of space in urban housing. This led to the distribution of housing based on space requirements according to household size. (It should be noted that the new construction norms were only 10 to 15 percent below Western European standards.)

Though the amount of the space allocated per unit changed over time, basic amenities remained primitive. Central heating in Albanian housing is almost nonexistent (except for a few villas located in Tirana). Housing units are heated by using a small fireplace connected to a smoke pipe. The space allotted for the bathroom allows for a toilet (optional), one sink or lavabo, and a place assigned for a shower though it is rarely equipped with one. Electrical installation, when available, is usually limited to a single lamp and one socket per room. Overall, finishing is crude by Western European standards.

Unlike many Eastern European countries, which relied on panel construction, the majority of Albanian state-owned housing was constructed using brick. Approximately, 90 percent of urban

¹⁴ The bulk of the material for this section came from a report on the construction industry by Antonio Milia, provided to the World Bank as part of the Mission.

¹⁵ Housing construction averaged about 13,000 state units per year through 1990. At this rate over 38 percent of public housing was built over the last decade. Allocation for housing investment, as a percentage of the government's budget, amounted to a little over 3 percent per annum.

housing is made of domestically produced red brick, while 5 percent of the housing stock uses prefabricated concrete panels based on Soviet technology, and the rest is made of reinforced (poured on-site) concrete slabs. Traditional methods of house construction are still used in rural areas, e.g., load-bearing walls of stone, brick, or concrete blocks mortared with clay.

The Albanian Banking System. The banking system in Albania is currently composed of four banks; the State Bank of Albania (SBA), the State Agricultural Bank, the Albanian Commercial Bank, and the State Savings Bank. Central bank status is attributed to the State Bank of Albania, for it issues currency, transacts government accounts, and holds the country's foreign exchange reserves. Credit to state enterprises is issued by the SBA while commercial and personal account activity is performed by the State Savings Bank. To date, there are no other financial institutions in Albania.

As mentioned earlier, Albanians had access to credit granted only sparing for housing construction at subsidized terms through 1990. The State Agricultural Bank granted loans to up to a maximum of 50,000 leks at 3 percent interest rate over 30 years for the construction of rural housing. Credit was more difficult to obtain in urban areas for housing construction since regulations virtually forbade private ownership. Currently, the only bank in Albania with liquid assets is the State Savings Bank.

The SSB was established only one year ago, using the assets of the government's insurance fund. The bank was capitalized with over 3 billion leks of insurance monies, which have grown to over 5.5 billion leks in just one year. The bank's branch network is extensive, with at least one office in each of the 27 districts for a total of over 120 offices. Deposit interest rates vary according to the type of account. For deposits denominated in leks, the rate is set at 32 percent per annum, while deposits denominated in dollars return 5 percent per annum.

The SSB is able to earn a profit through favorable lending terms with the Central Bank. By lending (over 70 percent of its deposits) to the SBA at 1 percent interest rate over its deposit rate the SSB earns a profit. Additionally, the SSB lends to commercial customers but only in dollar-denominated loans. The terms for this type of lending vary according to the length of the loan and the purpose. For example, loans used to purchase food items for sale carry a 8 percent interest rate if the repayment schedule is less than one year.

4. PROPOSED TECHNICAL ASSISTANCE

Albania undoubtedly has the most severe housing problems of Eastern Europe and its government is clearly committed to improving housing conditions. The nation's calamitous experience with a centrally planned economy has brought to power a generation of young politicians eager to create a Western-style market economy, but poorly informed about the ways and means of accomplishing this transformation. The nation's 45 years of isolation from the West leaves it with few citizens familiar with western models or even with the techniques of democratic institutional change.

In this regard, the staff at the MOC are young and eager to learn. In particular, the Minister of Construction is extremely receptive to technical assistance for institution building. As indicated in the attached mission trip reports (Annexes E-G), less than three weeks of work resulted in a housing privatization bill that was approved by the Council of Ministers and sent to the Parliament on 1 December 1992; a draft condominium law that is now being reviewed by the Council of Ministers and should go to Parliament in January 1993. These accomplishments were possible because of the extreme receptiveness at the Ministry to advice, guidance, and institution building based on Western concepts.

Because of these weaknesses at the MOC, a program of technical assistance to facilitate privatization is urgently needed. Similar timely advice is needed concerning administrative procedures and public information. Housing privatization will be a very disturbing process to most Albanians, one that could be made much easier and more palatable by application of good administrative principles and dissemination of public information. The Minister of Construction and his staff are quite worried about public responses, and need help with program planning. Technicians supported by AID can provide that help.

Housing Privatization. Key to housing reform in Albania is privatization of the housing stock. In this regard, the mission drafted a privatization law and submitted it to the Government for review. The mission also recognized that progress toward a market-based housing sector will depend upon several accompanying reforms: condominium laws (thus defining maintenance responsibilities), rent increases (that protect the poor through a housing allowance program), legal eviction rights (ensuring discipline into the market), a mortgage finance system based on equitable returns for the lender, a housing valuation system capable of assessing properties according to local demand and supply conditions, and the promotion of private construction industry to efficiently bring to market new housing in Albania. Below are rank ordered items and sub-items for technical assistance that conform to the housing reform agenda enumerated above.

1. Designing an administrative structure for privatization
2. Drafting a manual of operating procedures for:
 - a) Review and approval of privatization applications
 - b) Management of mixed-tenure buildings
 - c) Creation of condominium associations
 - d) Transferring management responsibilities to private firms
3. Drafting legislation governing:
 - a) Private sales and leases of real estate
 - b) Mortgage loans and installment contracts
 - c) Foreclosures and evictions
 - d) Title registration
 - e) Phasing out rent control
 - d) Landlord - tenant relationships
4. Organizing an efficient brokerage industry
5. Organizing a building management industry

6. Designing a housing allowance program

National Housing Fund/World Bank Development Loan. The World Bank has taken a decisive role in promoting market principles in the housing sector in Albania. As such, the Bank is investigating the feasibility of a multi-million dollar loan earmarked to the Ministry for finishing construction on housing units left uncompleted in wake of the 1990 price rises. The nascent institution created to facilitate this endeavor is the National Housing Fund. The NHF will support formulation of a general policy for the housing sector and assist in the implementation of the specific programs. Below are rank-ordered items and sub-items for technical assistance which relate to the formation and objectives of the NHF.

1. Drafting a policy matrix and time-table of pre-loan conditions
2. Designing an administrative structure
3. Designing a manual of operating procedures for:
 - a) Selecting projects for investment
 - b) Clearing title to selected projects
 - c) Preparing technical specifications for each project
 - d) Writing construction contracts
 - e) Designing competitive bidding procedures
 - f) Monitoring contractors' performance
 - g) Disbursing progress payments
4. Drafting a manual of operating procedures for:
 - a) Writing mortgage loans
 - b) Selecting among qualified applicants
 - c) Appointing an interim building manager
 - d) Forming a condominium association